

AR58

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

1997 Annual Report

THE MARITIME LIFE ASSURANCE COMPANY



Seventy-five years of serving Canadians

2

CORPORATE PROFILE

3

PRESIDENT'S MESSAGE

7

RECOGNITION

9

REPORT ON OPERATIONS

14

TIMELINE

15

CONDENSED FINANCIAL
STATEMENTS

19

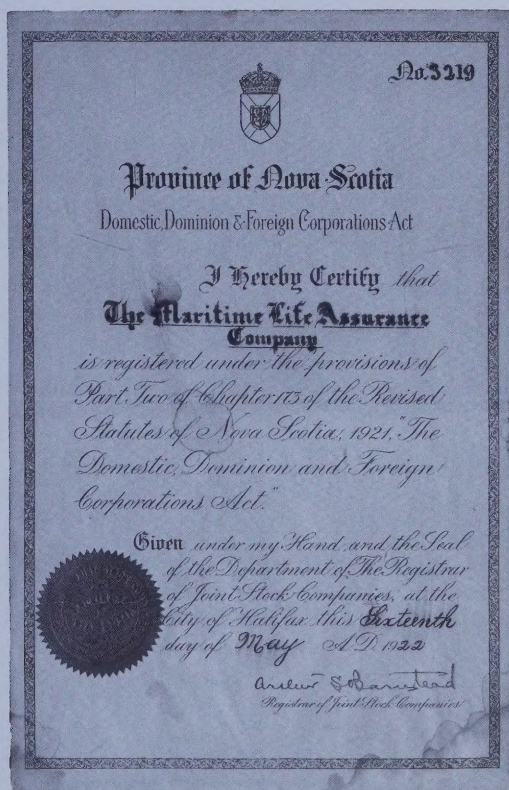
DIRECTORS AND
EXECUTIVE MANAGEMENT

20

STATEMENT OF CORPORATE
GOVERNANCE PRACTICES



MARITIME
LIFE



Seventy-five years

A significant milestone and one that everybody at Maritime Life is proud of. It's an occasion to look back upon the successful passage of our company through the Great Depression, the Second World War, and the decades of sweeping change that followed. It's a time to take stock – to reflect on how far we have grown from a small, regional operation to become one of Canada's leading life insurance companies. Most importantly, our 75TH anniversary is an opportunity to look ahead. By planning for change instead of simply reacting to it, Maritime Life is able to embrace the future.

In Profile

Maritime Life has been providing financial security to Canadians since 1922. We provide insurance and investment savings products to individuals, families and businesses across the country and rank among the top 10 life insurers in Canada.

We believe independent financial advisors help Canadians make informed decisions. We are proud to be the largest Canadian insurance company to market individual life and investment savings products exclusively through independent financial advisors.

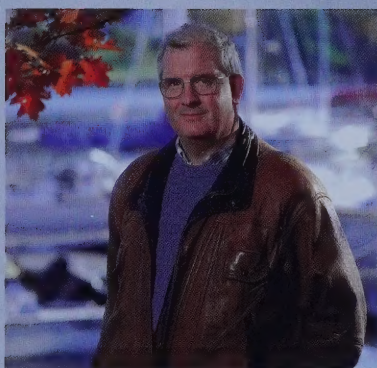
Maritime Life has more than 800 employees – each one dedicated to offering unexcelled service to their customers. From offices in Halifax, Montreal, Toronto, Kitchener, Calgary and Vancouver, employees use their knowledge, professional judgement and skills to meet and exceed customer expectations.

Since 1969, we have been a wholly-owned subsidiary of the John Hancock Mutual Life Insurance Company, one of the largest and most financially secure insurers in the United States. While we operate independently from John Hancock, the two companies benefit from an ongoing co-operative spirit in the exchange of information and expertise.

To find out more about Maritime Life, its products, services and customer values, we invite you to visit our web site at www.maritimelife.ca.

FINANCIAL HIGHLIGHTS *(in millions of dollars)*

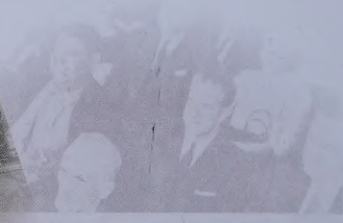
	1993	1994	1995	1996	1997
Assets Under Administration	\$3,162	\$3,366	\$4,263	\$4,746	\$5,477
Capital and Surplus	235	252	282	298	319
Total Revenue	617	670	813	908	848
Net Income to Shareholders (after tax)	17	21	24	22	27
Inforce Individual Premiums	83	91	172	183	197
Inforce Group Insurance Premiums and Premium Equivalents	275	309	355	377	412
Investment Product Assets Under Administration	2,235	2,348	2,652	3,025	3,612



PRESIDENT'S MESSAGE

1997 marked the 75TH anniversary of Maritime Life's incorporation. We were delighted to use the occasion to celebrate our successes and thank all those who have contributed to them.

The Honorable William Anderson Black was a founding member of Maritime Life's board of directors. Seventy-five years later, his great grandson, William Anderson Black, is president and chief executive officer.



John Hume
MUTUAL LIFE INSURANCE COMPANY
500 FENKELBY STREET - BOSTON

progress is people

October 2, 1969
Maritime Life gets Armed Forces Contract

Lasting Relationships

Mr. Fred Richardson, President
The Maritime Life Assurance Company
500 Fenkelby Street
Boston, MA 02110

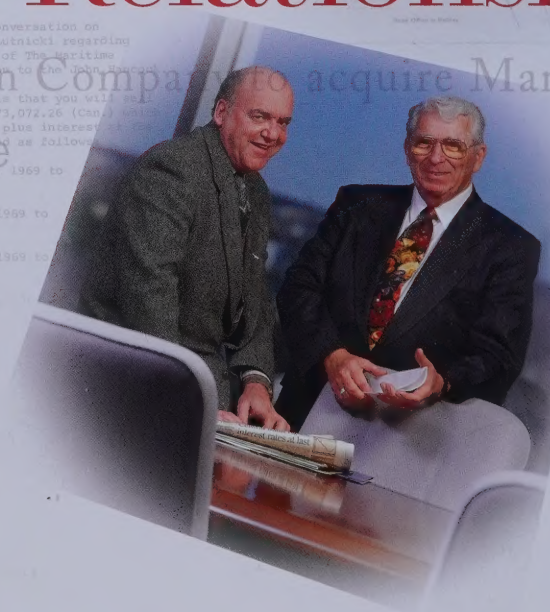
This will confirm our telephone conversation on October 1 and your correspondence to Mr. Lutnicki regarding the sale of 100 shares of the capital stock of The Maritime Life Assurance Company presently owned by you to the John Hume

Boston Company to acquire Maritime Life

Agents play key role

We understand that the agreement is that you will sell these shares to us for the total price of \$73,072.26 (Can.) which represents a price of \$710 (Can.) per share plus interest at the

- (a) Interest on \$68,300 from April 25, 1969 to date of purchase,
- (b) Interest on \$1,000 from June 15, 1969 to date of purchase,
- (c) Interest on \$1,000 from July 25, 1969 to date of purchase, and



The ongoing

commitment to deal

exclusively with

independent financial

advisors lies at the heart

of our business.

In early July, we welcomed 200 of Canada's leading independent financial advisors and more than 100 employees from our offices across Canada. We were able to renew relationships and plan for the future. We also had quite a bit of fun.

On such occasions it's tempting to nostalgically reflect and proclaim the entire 75 year period as one of consistent focus and uninterrupted growth, but that would be misleading. We've witnessed many changes and challenges but have flourished over time.

Founded in 1922 by a group of local businessmen, Maritime Life's original intent was to provide locally based life insurance alternatives to buyers in the Maritime provinces. The Company did not stray far from that mandate for the first four decades, but in the sixties it expanded into the Caribbean and created a valuable niche market for individual life policies for members of Canada's military.

Therefore, when the Company was acquired by the John Hancock Mutual Life Insurance Company of Boston in 1969, one third of its business was in the Caribbean, one third with members of Canada's military and one third with branch offices – primarily in Atlantic Canada. As well, in 1969 Canada decided to launch a comprehensive group benefits plan for members of the military; and political and economic developments made it prudent to withdraw from the Caribbean. It was clearly time for a new plan.

Our successful offer for the military group program formed the foundation of our group business ... a business which now has annual premiums of over \$400 million.

We began conducting business with independent agents in 1971 and converted our branch offices to independent agencies in 1977. We also focused our growth strategies westward into the rest of Canada. Today, while proud to be headquartered in Halifax, 85 per cent of our business is west of New Brunswick.

Since 1977, our strategies have been remarkably consistent, and remarkably successful. Not every year has been one of dramatic growth, but the cumulative results are exceptional. At the time of our 50TH anniversary in 1972, we had \$50 million of assets under management and were the 30TH largest life company in Canada. In 1997, we had over \$5 billion in assets, we were fourth in sales of individual investment products, sixth in sales of individual insurance, and eighth in group insurance sales. Maritime Life is clearly one of the top life insurance companies in

Canada and is the largest company selling retail business products through independent financial advisors.

Our business is defined by relationships. Our customers enter into contracts with us which they expect to last for decades. They like to have continuity with the advisors and the employees with whom they deal, and they expect us to work together effectively.

Our annual customer satisfaction surveys tell us if we are meeting these expectations. The group division leads the Company with overall satisfaction of 93 per cent or better for the past four years. Investment products' satisfaction continues to rise with a 1997 result of 86 per cent. Life results increased 2 per cent to 76 per cent.

One of the best and most remarkable aspects of our relationships with customers and their independent financial advisors is that they are so long-lasting. They endure because they are based on mutual respect, on open and honest communication, and most importantly, on a commitment to meet the needs of our common customers. Such relationships will provide a sturdy foundation for our future. We are already looking forward to celebrating our 100TH anniversary and furthering our position as an industry leader in Canada.

In 1997, we were honoured to receive national awards for excellence in office building management, for innovation and leadership in human resource development, and for thoughtful creativity in sport sponsorship.

*Our business is
defined by
relationships.
They like to have
continuity in the
advisors and the
employees with
whom they deal and
they expect us to
work together
effectively.*



The Winds of Change presented to Maritime Life by the Canadian Forces on the occasion of our 75th anniversary.

But the most important recognition was presented to Maritime Life at the 75th anniversary celebrations in 1997 by the Canadian Forces, our largest customer. In presenting the gift to express its appreciation and satisfaction with our service, Brigadier General Isidore Popowych, said, "In 1969, while Canada's insurance industry was reluctant to even bid on the proposal for the disability and life programs to support Canada's military community, Maritime Life was the first and only company to step up to the starting blocks.... Today, this program and its success, unique in the world, is directly attributed to the partnership between the Canadian Forces and Maritime Life.... The people, the rank and file of Maritime Life, have not only helped us climb mountains, but when necessary, have moved them."

Maritime Life will be successful for at least the next 25 years not because so many things will change, but because so many things will stay the same. The products we provide to customers will be different, but their need for professional advice will be the same.

The investments we offer will be different, but our customers' need for financial security will be the same. Our offices will be larger and more numerous, but our commitment to satisfying our customers will not change.

By happy coincidence, I am the great grandson of one of the Company's founders which serves to emphasize a sense of continuity of our roots. I am proud to work with more than 800 skilled and committed fellow employees across Canada, and many of the best independent advisors in the country. Together we have an exciting future. The 100th anniversary should be even more fun than the 75th!

W. A. Black
President and CEO

Recognition

Our employees share the vision of offering unequalled customer service. In recognition of this personal pledge, industry acknowledged our dedication and contribution in 1997 by presenting us with nationally recognized achievement awards in three very diverse areas.



Human Resources

Our approach to supporting employees with progressive and caring initiatives was rewarded with the André Mailhot National Corporate Award. Offered by the Life Insurance Institute of Canada (LIIC), this award recognizes the Company's commitment to its most valued assets – people. The award is presented to deserving companies based upon innovative learning initiatives and the development of employee potential.



Sponsorship

We captured the Corporate Excellence Award from the Canadian Sport Awards for our national event sponsorship of Swimming/Natation Canada. The award is a testament to the success of our close affiliation with Swimming Canada and the value of supporting Canadian amateur athletics. Our partnership with Swimming Canada began in 1995 and includes Maritime Life's title sponsorship of the Summer Nationals until 1999 and the Olympic Trials in the year 2000.



Building Management

The Maritime Life Business Park, home of our head office, was awarded with The Office Building of the Year (TOBY) award from the Building Owners and Managers Association (BOMA). Overlooking the beautiful North West Arm in Halifax, the Maritime Life Business Park is recognized as a prestigious first-class facility which offers many amenities for Maritime Life employees and its tenants.



*The Directors and Officers
of the
Maritime Life Assurance Company
cordially invite you to attend the
Official Opening
of their new Home
Spring Garden
on Thursday, October 1st
3.00 p.m.*



The exceptional growth
in retail products and
group insurance
strengthens our position
in the Canadian financial
services market.

New Calgary office

Dynamic Growth

Maritime Life's earnings rise

Business park opening soon



1997 was characterized by tremendous growth in sales and a 21.5 per cent increase in profit over 1996. We are extremely pleased with the recent sales growth but must be diligent with operational enhancements to ensure sales success translates into increased profits.

BUSINESS GROWTH

Retail Products

We have maintained a steady course in our strategy for individual retail products – products delivered through personal distribution by knowledgeable independent advisors.

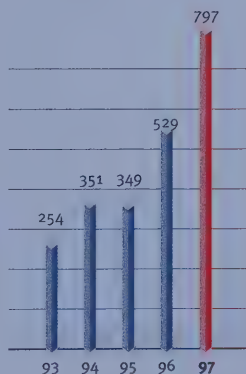
Demand for our retail investment products continues to grow with new investment product deposits reaching almost \$800 million versus \$529 million in 1996. Of the \$800 million, 88 per cent was directed towards segregated funds. Segregated funds, offered exclusively by life insurance companies, offer basic protections not available with mutual funds – the same creditor protection as provided in life insurance contracts and often contain capital guarantees. Our segregated funds offer investment choices in stocks and bonds in Canada and around the globe. The funds are characterized by various investment strategies in terms of risk profile or emphasis in particular opportune sectors. As long as interest rates remain low and stock markets are viewed positively by consumers, the emphasis on segregated fund investment will hold. In this environment, our solid growth will likely reach \$1 billion in new annual deposits of all types by the year 2000. If there is a reversal in stock market performance and consumer preferences, we expect moderation in new

deposits but there will be a demand for savings vehicles by individual investors. We also offer guaranteed investment options so that we can retain and attract customers who require lower risk and capital preservation strategies.

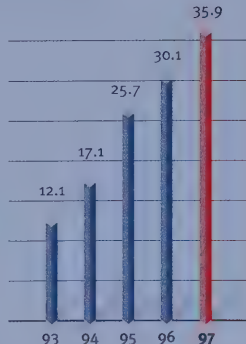
Our retail life insurance products experienced another year of solid growth and performance in 1997, building on a trend established in the mid 1990's. In 1993, for example, our new life sales were \$12 million – 1997 sales grew to \$35.9 million, a three-fold increase. Compared to industry averages, the last few years of growth have been exceptional.

In addition to offering products focused on the protection provided by insurance, we market products that appeal to Canadians' asset accumulation objectives. For example, our universal life insurance products offer options to have investment performance related to guaranteed investment certificates, stock market indices or a combination of the two. We project sales of \$50 million in new annual premium by the year 2000 by continuing the strategies that have brought us success in the past – by marketing products through independent financial advisors nationwide and servicing customers and advisors through our regional office infrastructure.

Investment Products New Deposits
Millions of Dollars



New Individual Life Insurance Sales
Millions of Dollars

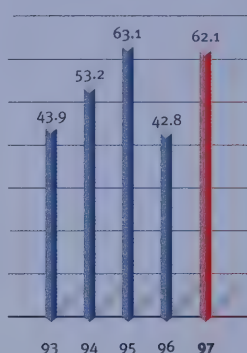


In addition to our traditional distribution system, we have been marketing our life and investment products through national investment brokerage firms. We have dedicated resources to support this rapidly growing complementary distribution system which contributed 16 per cent to our sales of new life premium this year, an increase from 9 per cent in 1996.

During 1997 we reorganized the internal structure of our retail business – the prior structure was rooted in the products we delivered: insurance or savings. We were serving the same customers and distributors through two different structures.

Moreover, many of our insurance products have strong asset accumulation features. Since we reorganized, our operations now combine similar functions intended to address all retail customers. For example, we had separate product development departments for both product types – now we have one unit addressing the complete needs of customers and distributors.

New Group Insurance Premium
Millions of Dollars



Group Insurance

Our group insurance operation is committed to providing excellent customer service and we focus our efforts in the mid-size case market. We understand the needs of customers in this market and deliver superior customer service through regional client service centres.

Group insurance sales of \$62 million are up 45 per cent over 1996, propelling us back to the record levels achieved in 1995. The group insurance market has been particularly

competitive and dynamic in the past few years and we have been careful to pursue new cases that are a good fit with our strengths and focus.

We are evaluating the strategic fit of new technologies to deliver group insurance benefits and will invest in new technology in 1998. The motivating factors are to meet customer demands for flexible tailored benefit design with easy and efficient administration. These demands can only be met through up-to-date computerized processes. The key challenge of the next few years will be to deliver these new systems.

FINANCIAL STRENGTH

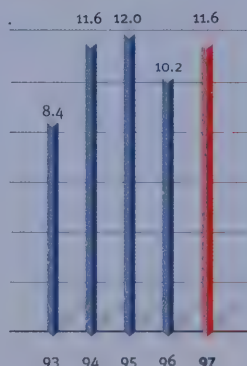
Profit Levels

Return on common equity for 1997 was 11.6 per cent – an improvement over the prior year's return of 10.2 per cent.

Credit losses on investment principal during 1997 were \$9.1 million, down from the levels experienced in 1995 (\$17.3 million) and 1996 (\$14.7 million). Based on the rebounding real estate markets and a robust domestic economy, we expect credit losses to decrease.

During the first half of 1997, we experienced high levels of claims in our group insurance health and disability benefits. A very good second half allowed us to recover and post a profit.

Return on Common Equity
Percentage




Profit margins on the retail business have been favourable but there are areas we need to improve. Most of our products have adjustable features or renewal characteristics that require continual and

active management to ensure we deliver good value to our customers and achieve acceptable profit margins. The participating fund experienced a loss (after dividends to policyholders) of \$4.8 million due to strengthening of policy liability reserves. We expect this will result in modest profits in most future years.

As we pursue technology enhancements to meet the evolving demands of the financial services environment, we will experience expense pressure. Also, in 1998 there will be a major

We continue to find
better ways to meet the
specific needs of each
customer.

A collage of three images. The top image shows a woman with dark hair talking on a mobile phone. The middle image shows a group of people in a meeting or presentation. The bottom image shows a woman with curly hair sitting at a table with a young child, looking at a colorful book or document.

Responsive Service

Much more than
an operational tool,
we've made advanced
technology a key
element of our corporate
strategy.

Forward Thinking



focus on ensuring systems will be Year 2000 compliant, a continuation of a project that began in 1997.

Effective management of our investments in new technology (the right amount of money in the right place at the right time) will be a key priority. Information technology is no longer just an operational tool but a key element of corporate strategy.

Balance Sheet and Statement of Income

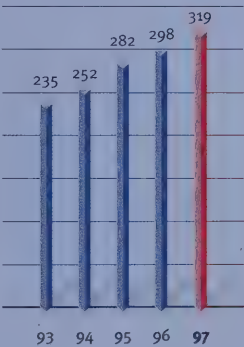
A review of the balance sheet and statement of income reveals the impact of the overwhelming consumer preference for segregated fund investments in 1997. Under Canadian accounting principles, segregated fund deposits must be reported separately from the Company's general fund financial statements. Therefore, while we are experiencing tremendous growth in our segregated fund business, the general fund balance sheet shows a modest reduction in growth. The segregated funds are reported separately below the total asset section of the balance sheet.

Because of new deposits and fund performance, our segregated fund assets have risen dramatically from \$1.35 billion at December 31, 1996 to \$2.18 billion at December 31, 1997, an increase of 61 per cent. Similarly, the Statement of Income shows no revenue premium growth from 1996 to 1997 as it does not reflect segregated fund deposits. The Statement of Changes in Segregated Fund Assets does show amounts received from policyholders (new deposits and internal transfers) in respect of segregated fund deposits - \$828 million in 1997 versus \$389 million in 1996. This large increase attests to Maritime Life's dynamic growth in this product area.

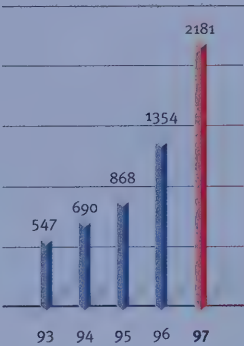
The composition of the general fund balance sheet has shown some movement in the past year, mirroring trends over the last few years.

We have been increasing the level of bonds and private placements to increase diversification, reflecting a strategy targeted at higher levels of bond placement and reduced levels of conventional mortgages. Approximately 32 per cent of our assets relate to government issued or guaranteed securities. NHA (government insured) mortgage lending has been emphasized by Maritime Life for many years and is currently at 53 per cent of the mortgage portfolio. We intend to maintain significant levels in the future as it provides a very strong and positive contribution to the Company's asset risk profile.

Capital and Surplus
Millions of Dollars



Segregated Fund Assets
Millions of Dollars



Capital and Surplus

As a regulated financial institution, Maritime Life is required to hold specified minimum levels of capital to ensure financial security for policyholders. This required capital is referred to as Minimum Continuing Capital and Surplus Requirements (MCCSR). The Company has established a policy of maintaining capital in a range of 150 per cent to 200 per cent of the MCCSR, targeting approximately 175 per cent, well in excess of the regulatory requirements. Over the last five years, this ratio has been:

1997	1996	1995*	1994*	1993*
177%	170%	178%	164%	165%

* Ratios for 1995 and earlier have been restated to be consistent with the MCCSR mortgage rules applicable in 1996 and 1997.

Ratings

Our financial and fiscal strength is monitored regularly by external rating agencies. Favourable ratings give comfort to our policyholders, customers, and investors that the Company is prudently managed.

RATING AGENCY	RATING
AM Best	A+ (superior)
Moody's Investor Service	A1 (good financial security)
TRAC	7 out of 8
Dominion Bond Rating Service	P-2 (satisfactory credit quality)

Timeline

Since 1922, Maritime Life has grown to be one of Canada's leading life insurance companies. This timeline provides a sample of the most memorable events in its 75 year history.

THE TWENTIES

- 1922** - Maritime Life is founded by a group of Nova Scotia families. Ranks 58 out of 60 Canadian life insurance companies.
- 1923** - Maritime Life incorporates.
- 1924** - Maritime Life writes its first policies, including a provision the holder "could not make any aerial flights whatsoever." Assets under administration - \$147,000. Policies at year-end - 547.
- 1926** - Net assets - \$355,012.00. Inforce policies - 1,657.
- 1929** - Company moves to Page Building, Barrington Street, downtown Halifax. \$9 million of business inforce. Stock market crash, Great Depression.

THE THIRTIES

- 1933** - Maritime Life surpasses \$1 million in assets under administration.
- 1935** - First dividend declared on capital stock. Approaching \$2 million in assets under administration.

THE FORTIES

- 1941** - Assets under administration - \$3.1 million. Policies inforce - 8000+. \$19.3 million of business inforce.
- 1946** - Assets under administration - over \$6 million.
- 1947** - First Maritime Life participating policy written.
- 1948** - \$37.3 million of business inforce.

THE FIFTIES

- 1952** - Assets under administration - \$9.7 million.
- 1954** - Maritime Life moves into its newly constructed head office building at the corner of Spring Garden Road and Queen Street in Halifax.
- 1956** - First Branch outside of Atlantic Canada opens in Kingston, Ontario.
- 1959** - Branches now in Toronto, Perth and Windsor, Ontario and Montreal, Quebec.

THE SIXTIES

- 1961** - The fastest growing insurance company in Canada. Maritime Life acquires The Royal Guardians insurance company of Montreal. Assets under administration - \$18.8 million.
- 1969** - John Hancock Mutual Life Insurance Company of Boston, Massachusetts purchases Maritime Life. Maritime Life wins the Canadian Forces (SISIP) group contract.

THE SEVENTIES

- 1970** - Offices now open across the country.
- 1971** - Maritime Life (Caribbean) formed in Trinidad. Assets under administration - \$46 million.
- 1973** - Maritime Life moves into new headquarters at the head of the Northwest Arm in western Halifax.
- 1976** - National Hockey League Players' Association becomes a group client.
- 1979** - Assets under administration - \$427 million.

THE EIGHTIES

- 1980** - Assets under administration - \$622 million.
- 1981** - New money policies, pioneered by Maritime Life, become the accepted industry norm.
- 1982** - Assets under administration - \$1 billion, one full year before target date for this figure.
- 1983** - Final shares of Maritime Life Caribbean sold.
- 1985** - Assets under administration - \$1.5 billion.
- 1986** - Maritime Life issues \$35 million in preferred shares. Industry rank - 17th of 150 companies.
- 1989** - A new head office building, Tower Two, is completed for 630 employees on the same parcel of land as Tower One. Assets under administration - \$2.2 billion, up from \$427 million ten years before.

THE NINETIES

- 1993** - Assets under administration - \$3.2 billion. Maritime Life becomes an Olympic sponsor.
- 1994** - 25th anniversary of Canadian Forces contract, 25th anniversary of John Hancock ownership.
- 1995** - Acquisition of Confederation Life individual life and health and segregated funds business. Rank in industry - 12th. Assets under administration - \$4.3 billion. Maritime Life becomes title sponsor for Swimming/Natation Canada.
- 1997** - Maritime Life celebrates 75th Anniversary. Assets under administration - \$5.5 billion.

Responsibility For Financial Reporting

The accompanying condensed financial statements have been extracted from the Company's audited annual financial statements. Interested parties may obtain a copy of the audited annual financial statements by contacting the Company directly or visiting our web site at www.maritimelife.ca.

Condensed Financial Statements

Management is responsible for preparing both the condensed financial statements and the audited annual financial statements and ensuring that all information in the annual report to shareholders and policyholders is consistent with that in the audited annual financial statements. This responsibility includes selecting appropriate accounting policies and making estimates and other judgements consistent with generally accepted accounting principles and the requirements of the Office of the Superintendent of Financial Institutions Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls, consistent with reasonable cost, designed to ensure that the financial information produced is relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

These condensed financial statements were approved by the Board of Directors who has overall responsibility for their content.

The Board of Directors is assisted in its responsibility by its Audit Committee, which consists entirely of Directors not involved in the daily operations of the Company, the majority of whom are not affiliated with the Company. The function of the Audit Committee is to:

- Review and recommend approval to the Board of Directors of the annual financial statements.
- Review the Company's internal audit and financial control systems.
- Meet separately with the internal and external auditors, the Chief Financial Officer and the Appointed Actuary.
- Recommend the appointment of the external auditors and their fee arrangement to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out this function, the Committee meets with management and both the Company's external and internal auditors to approve the scope and timing of the respective audits, to review their findings, and to satisfy itself that the audit responsibilities have been properly discharged.

The Appointed Actuary

- Is appointed by the Board of Directors.
- Is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Is required to provide an opinion regarding the appropriateness of the policy liabilities as at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion.
- Is required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2000 under adverse economic and business conditions.

External Auditors

KPMG have been appointed external auditors pursuant to Section 337 of the Insurance Companies Act to report to the shareholders, policyholders and to the Office of the Superintendent of Financial Institutions Canada regarding the fairness of presentation of the Company's financial position and results of operations as shown in the audited annual financial statements.



William A. Black
President and
Chief Executive Officer



Philip J. Pothier
Senior Vice-President and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders and Policyholders of
The Maritime Life Assurance Company

We have audited the balance sheets of The Maritime Life Assurance Company as at December 31, 1997 and 1996 and the statements of income, changes in financial position and changes in segregated fund assets for the years then ended in accordance with generally accepted auditing standards and expressed an unqualified opinion on these financial statements in our report dated January 28, 1998.

In our opinion, the information contained in the attached condensed financial statements is consistent with the above-mentioned financial statements from which it was derived.

To obtain a better understanding of the Company's financial position and the results of its operations for the years in question, the relevant audited annual financial statements should be read.

KPMG, Chartered Accountants
Halifax, Canada, January 28, 1998

APPOINTED ACTUARY'S REPORT

To the Shareholders and Policyholders of
The Maritime Life Assurance Company

I have valued the policy liabilities of The Maritime Life Assurance Company for its balance sheets at December 31, 1997 and 1996 and their change in the statements of income for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods and expressed an unqualified opinion on these policy liabilities in my report dated January 28, 1998.

In my opinion, the amount of policy liabilities contained in the attached condensed financial statements is consistent with the above-mentioned financial statements from which it was derived.

To obtain a better understanding of the Company's financial position and the results of its operations for the years in question, the relevant audited annual financial statements should be read.

Byron Corner, Fellow, Canadian Institute of Actuaries
Halifax, Canada, January 28, 1998

CONDENSED BALANCE SHEETS

December 31, 1997 and 1996 (In thousands of dollars)

	1997	1996
Assets		
Invested assets		
Bonds	\$ 1,018,180	\$ 990,325
Government insured mortgages	890,062	905,512
Conventional mortgages	792,973	914,785
Equities	307,231	291,436
Real estate	86,384	79,746
Policy loans	75,234	79,701
Cash and short-term investments	9,090	33,259
	3,179,154	3,294,764
Premiums receivable and other assets	117,111	97,693
	\$ 3,296,265	\$ 3,392,457

Liabilities, Participating Account and Shareholders' Equity		
Policy liabilities	\$ 2,875,176	\$ 2,985,996
Accrued expenses and other liabilities	58,052	76,382
Deferred net gains	43,641	31,834
	2,976,869	3,094,212
Subordinated debt	70,000	46,000
Participating account	1,978	6,756
Shareholders' equity	247,418	245,489
	\$ 3,296,265	\$ 3,392,457
Segregated fund assets under management	\$ 2,180,872	\$ 1,353,588

On behalf of the Board:

J. D. Crawford
Chairman of the Board

W.A. Black
President and Chief Executive Officer

CONDENSED STATEMENTS OF INCOME

Years ended December 31, 1997 and 1996 *(In thousands of dollars)*

	1997	1996
Revenue		
Premiums	\$ 546,120	\$ 601,459
Investment income	262,707	284,846
Other	39,426	21,975
	848,253	908,280
Policy benefits and expenses		
Policy benefits paid and accrued	487,150	654,662
Commissions, selling and operating expenses	175,024	147,193
Transfer to segregated funds	140,081	62,810
Interest on notes payable	9,386	9,604
	811,641	874,269
Net operating income before interest on subordinated debt and taxes	39,612	34,011
Interest on subordinated debt	(4,625)	(4,613)
Income taxes	(9,617)	(8,358)
Net income	22,370	21,040
Undistributed participating policyholders' loss	4,778	1,308
Net income to shareholders	\$ 27,148	\$ 22,348
Earnings per common share <i>(in dollars)</i>	\$ 136.98	\$ 109.50

CONDENSED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1997 and 1996 *(In thousands of dollars)*

	1997	1996
Cash provided by (used in):		
Operations:		
Gross income	\$ 848,253	\$ 908,280
Policy benefits, operating costs and other items (net)	(956,920)	(891,181)
	(108,667)	17,099
Investments:		
Increase in bonds	(27,855)	(64,402)
Increase in equities	(15,795)	(35,205)
Decrease (increase) in mortgages	137,262	(11,446)
Increase in real estate	(6,638)	(18,749)
Purchase of fixed assets	(5,976)	(10,030)
	80,998	(139,832)
Financing:		
Proceeds from subordinated debt	24,000	—
Shareholders' dividends		
Preferred	(1,219)	(1,620)
Common	(24,000)	(3,498)
	(1,219)	(5,118)
Net cash from acquisition	4,719	9,045
Decrease in cash and short-term investments for year	(24,169)	(118,806)
Cash and short-term investments, beginning of year	33,259	152,065
Cash and short-term investments, end of year	\$ 9,090	\$ 33,259

CONDENSED STATEMENTS OF CHANGES IN SEGREGATED FUND ASSETS

Years ended December 31, 1997 and 1996 *(In thousands of dollars)*

	1997	1996
Segregated fund assets, beginning of year	\$ 1,353,588	\$ 867,965
Increase during the year		
Amounts received from policyholders	828,526	389,198
Amounts (transferred to) received from the shareholder fund	(13,169)	12,272
Investment income	39,976	36,764
Dividends	17,153	11,454
Net realized gain on sale of investments	148,654	51,974
Net unrealized increase in market value of investments	62,168	111,303
	1,083,308	612,965
Decrease during the year		
Amounts withdrawn by policyholders	(221,186)	(109,016)
Management fees and other operating costs	(34,838)	(18,326)
	(256,024)	(127,342)
Segregated fund assets, end of year	\$ 2,180,872	\$ 1,353,588
Segregated fund assets consist of:		
Cash and short-term investments	454,815	298,326
Bonds	403,070	288,100
Mortgages	3,416	3,977
Equities	1,319,571	763,185
	\$ 2,180,872	\$ 1,353,588

BOARD OF DIRECTORS
As of December 31, 1997

William A. Black (12/12)
Halifax, Nova Scotia 1,4,5
President and
Chief Executive Officer
The Maritime Life
Assurance Company

Ronald B. Coleman (15/15)
Calgary, Alberta 2,5
President,
Dominion Equity
Resource Fund Ltd.

J. Dickson Crawford (15/15)
Mahone Bay, Nova Scotia 1,4,6

John R. D'Eathe (10/10)
Vancouver, British Columbia 5
President, Freehold
Development Canada Ltd.

Rob P. Dexter, Q.C. (15/15)
Halifax, Nova Scotia 5,6
Chairman and
Chief Executive Officer
Maritime Marlin Travel

Edward P. Dowd (11/15)
Boston, Massachusetts 2,5
Senior Vice President
John Hancock Mutual Life
Insurance Company

MGen. (Ret'd)
M. Scott Eichel (9/9)
Victoria, British Columbia 4

Lawrence J. Hayes, Q.C. (16/16)
Halifax, Nova Scotia 2,3,5
McInnes, Cooper & Robertson

Jean C. Lavoie (15/15)
Montréal, Quebec 2,5
Special Advisor
Raymond, Chabot, Martin, Paré

Douglas G. MacKenzie (9/15)
Brampton, Ontario 2,3,4
President, Chief Executive
Officer and Vice Chairman
Commercial Alcohols Inc.

Thomas E. Moloney (14/17)
Boston, Massachusetts 1,5,6
Chief Financial Officer
John Hancock Mutual Life
Insurance Company

Jocelyne Pelchat (13/15)
Mount-Royal, Quebec 3,4,6
Pelchat International

Robert R. Reitano (6/9)
Boston, Massachusetts 5
Vice President
John Hancock Mutual Life
Insurance Company

Dr. Tom Traves (3/3)
Halifax, Nova Scotia 4
President and Vice-Chancellor
Dalhousie University

Corporate Secretary
Heather M. Hannon, LL.B.

HONOURARY DIRECTORS

Dr. D. Andrew Eisenhauer
Lunenburg, Nova Scotia

Dr. Reva Gerstein, O.C.
Toronto, Ontario

John W. Lindsay Sr.
Dartmouth, Nova Scotia
Chairman of the Board,
J.W. Lindsay Enterprises Ltd.

Arthur R. Lundrigan
Corner Brook, Newfoundland

EXECUTIVE MANAGEMENT
As of December 31, 1997

William A. Black, FCIA, FSA
President and
Chief Executive Officer

Norman Ayoub, CLU
Senior Vice President
Retail Marketing

Kirk D. McIntyre, FCIA, FSA
Senior Vice President
Retail Services

Robert M. Nicholas
Senior Vice President
Group Insurance

Philip J. Pothier, FCIA, FSA, FLMI
Senior Vice President and
Chief Financial Officer

Peter A. Stuart, CFA
Senior Vice President and
Chief Investment Officer

Byron Corner, FCIA, FSA
Vice President and
Chief Actuary

Al Hillier, FLMI, CDP
Vice President and
Chief Technology Officer

C. Dominick Williams, FLMI
Vice President, Investments

Madeleine N. Clare, FLMI, ISP
Director, Technology and
Computing Services

Norm Collins, FCIA, FSA, FLMI
Director, Corporate Actuarial

Erin Flannery, FLMI, ACS, CLU
Director, Corporate and
Public Affairs

Derek Frail, ASA
Director, Retail Product
Development

Jan Imeson, CA
Controller

Joanne Keigan, FCIA, FSA
Director, Group Finance
and Actuarial

Ann M. Kyle
Director, Group Insurance

J. Paul Lynch
Director, Retail
Customer Services

Joseph J. Malek
Director, Retail Systems

Gary E. Martin, FLMI, CFS
Director, Bonds and
Corporate Finance

Ted M. Moffatt, ASA, FLMI (MD)
Director, Retail Finance

Terry Morrison
Director, Group Insurance

Shirley L. Mosher, FLMI
Director, New Business and
Agency Services

A. Harrison Robbins, FCA
Director, National Sales
and Distribution

Kirk L.R. Sievert, CMA
Director, Retail Marketing

David M. Star
Director, Investment Products
Business Development

Catherine J. Woodman
Director, Human Resources

The bracketed numbers following each name indicate total number of board and committee meetings which the director actually attended followed by the number they were eligible to attend in the 12 months ended December 31, 1997. The numbers following the director's home city indicate the board committee memberships.

1 - Member of the Executive Committee, 2 - Member of the Audit Committee, 3 - Member of the Conduct Review Committee,
4 - Member of the Customer Issues Committee, 5 - Member of the Investment Committee, 6 - Member of the Personnel and Compensation Committee

PHOTO CREDITS
(Contemporary Images)

Cover: April Sutherland and Brad Charlton of the Calgary office. Bluenose II ©Bluenose II Preservation Trust. Used with permission. All rights reserved.
Page 4 - Lasting Relationships: Eddie Harper (right), founder of E.M. Harper Limited and Bob Timmins (left), manager of new business and chief underwriter, retail services. Eddie and Bob have a combined total of almost 70 years experience with Maritime Life. Page 8 - Dynamic Growth: Maritime Life's head office from 1945 to 1973 was located in Spring Garden Road in Halifax. Maritime Life opened it's doors to its present head office, on Dutch Village Road, in 1989.
Page 11 - Responsive Service: Cheryl Lang, director of human resources at Kraft Canada Inc. and Larry Aicken, group executive from our Ontario Client Service Center. Maritime Life has been providing employee benefits to Kraft Canada Inc. since 1977. Page 12 - Forward Thinking: Anjana Tomchuk is an Analyst III in the retail systems department.

CORPORATE GOVERNANCE PRACTICES

Mandate of the Board Of Directors

The general duty of the Board of Directors is to supervise the management of the business of Maritime Life. The Board expects management to operate the Company in a financially sound and ethical manner, fostering growth and profit, and to provide clear and concise information on the operations and propose future actions. A key aspect of the Board's supervision is the approval of strategic business plans and financial strength. In addition, the Board approves annual reports, financial statements and dividend scales, and appoints officers and the external auditor.

The Board also oversees the affairs of Maritime Life through committees. The Executive Committee has authority to act on behalf of the Board in connection with company business between the sittings of the Board of Directors, subject to ratification by the Board. The Investment Committee authorizes the investing and lending of the funds of the Company, all subject to the provision of the Insurance Companies Act (Canada). The Conduct Review Committee reviews transactions with related parties of the Company and policies and practices with respect to such transactions. The Customer Issues Committee reviews marketing strategies, marketing conduct and the level of customer satisfaction. The Audit Committee's mandate is to review the Company's internal controls, accounting, auditing and reporting practices, and the adequacy of disclosure to policyholders and shareholders. The Personnel and Compensation Committee approves compensation for employees of the Company, recommends appointment of company officers and advises management on human resource related issues.

Maritime Life looks for breadth of expertise in recruiting new directors, seeking a diversity of professional backgrounds and national representation. In addition, the Company benefits from the experience of the Board members drawn from our parent, John Hancock.

All of Maritime Life's common shares are owned by John Hancock Mutual Life Insurance Company through a Canadian holding company. Hancock executives are actively involved on the Company's Board and shareholder feedback is provided for in this manner.

Composition of the Board Of Directors

The number of directors of the Company shall be no less than 12 and no more than 18. One of Maritime Life's directors is not independent of management. Mr. William A. Black is a full-time officer of the Company. Of the remaining 13 independent directors, 10 are unrelated to the Company in any manner whatsoever, while three directors are employed by Maritime Life's parent and holder of 100 per cent of the common shares.

DIVIDEND POLICY

Dividend scales for participating insurance policies are declared on an annual basis and distributed according to the contract. The amount of surplus available for distribution is influenced by trends in earnings and experience, by dividend guarantees and by the need to maintain the long-term vitality of the participating fund. Maritime Life uses the contribution principle to allocate divisible surplus to individual policies in proportion to their contribution to earnings. The allocation process strives to ensure reasonable equity among different classes and generations of participating policies as well as equity among individual policies within each class. The determination of dividends complies with regulatory and professional standards.

OFFICE LISTING

Halifax (Head Office) 2701 Dutch Village Road Halifax, Nova Scotia B3J 2X5 (902) 453-4300 (T) (902) 453-7041 (F)	Ontario Regional 2300 Yonge Street Suite 2800 Toronto, Ontario M4P 1E4 (416) 440-3699 (T) (416) 440-3188 (F)
Atlantic Region 2695 Dutch Village Road Suite 600 Halifax, Nova Scotia B3L 4T9 (902) 453-4300 (T) (902) 453-7037 (F)	Kitchener Marketing Centre 871 Victoria Street N Suite 201 Kitchener, Ontario N2B 3S4 (519) 741-3624 (T) (519) 741-3644 (F)
Montréal 999 De Maisonneuve Blvd. W Suite 1200/1400 Montreal, Quebec H3A 3L4 (514) 288-4300 (T) (514) 288-1494 (F)	Calgary Alberta Stock Exchange Tower 2040, 300-5TH Avenue SW Calgary, Alberta T2P 3C4 (403) 261-3994 (T) (403) 261-9673 (F) 1-888-261-9827 (TOLL-FREE)
Ontario Client Service Centre 20 Eglinton Avenue West Suite 2200 Toronto, Ontario M4R 2G6 (416) 440-8484 (T) (416) 482-2857 (F)	Vancouver 888 Dunsmuir Street, Suite 1500 Vancouver, British Columbia V6C 3K4 (604) 689-1429 (T) (604) 688-2140 (F)

DESIGN

Lou Cable Design Incorporated

PHOTOGRAPHY

Don Robinson, Maritime Life Archives

LITHOGRAPHY

Maritime Photoengravers Limited

PRINTING

McCurdy Printing Limited



On peut se procurer sur demande la version française du présent rapport annuel auprès de la Secrétaire de La Maritime, compagnie d'assurance-vie, c.p. 1030, Halifax (Nouvelle-Écosse) B3J 2X5

This document was printed with vegetable based inks on acid free paper containing recycled material, including at least 20% post-consumer waste.